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ZNR UUUUU ZZH
R 220733Z MAY 08
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC 2464
INFO RUCPCIM/CIMS NTDB WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCNCIS/CIS COLLECTIVE 0513
RUEHAK/AMEMBASSY ANKARA 2168
RUEHBUL/AMEMBASSY KABUL 0399
RUEHNE/AMEMBASSY NEW DELHI 0505
RUEHAST/USOFFICE ALMATY 0442

UNCLAS SECTION 01 OF 02 ASTANA 000971

DEPT FOR SCA/CEN (O'MARA)
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KTDB](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, APRIL 19 - MAY 3, 2008

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¶11. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been verified for accuracy.

-- Kazakhstan-Uzbekistan Commercial Ties
-- Trade Increases within Eurasian Economic Community
-- Astana Finance Enters Russian Market
-- Return of Ex-Finance Minister
-- First Drilling in Atash
-- Court Rules in Favor of Karachaganak Petroleum Operating B.V.
-- Zhambyl Hydropower Plant To Be Privatized
-- 70% of Equipment in Mittal Mines is in Disrepair
-- Samruk to Buy A 50% Stake in Two Open-Pit Coal Mines
-- Kazakhstan Seeks More Oil Transit via Georgia

Kazakhstan-Uzbekistan Commercial Ties

¶12. "We are close to reaching a consensus on creating a free trade zone between our countries," said President Nazarbayev at a press conference following talks with Uzbekistan's President Islam Karimov on April 22 in Astana. Nazarbaev announced plans to open chambers of commerce in both Uzbekistan's and Kazakhstan's capitals. Kazakhstan-Uzbekistan trade doubled in 2007 compared to the previous year totaling \$1.4 billion: \$871.8 million in exports from Kazakhstan to Uzbekistan and \$538.5 million in exports from Uzbekistan to Kazakhstan. (Interfax-Kazakhstan, April 23)

Trade Increases within Eurasian Economic Community

¶13. According to Tair Mansurov, Secretary General of the Eurasian Economic Community (EEC), trade between members states has tripled over the past seven years: from \$27 billion in 2000 to \$97 billion in 2007. Mansurov noted that these encouraging statistics will encourage EEC countries to think more concretely about a future customs union. (Interfax, April 28)

Astana Finance Enters Russian Market

¶14. Russia's Alfa Bank sold a 100% stake in its subsidiary Alfa Bank

Bashkortostan for \$16.88 million to Kazakhstan's Astana Finance. Astana Finance provides a number of investment-banking services, including long-term project finance, leasing, and mortgage services. The government holds a 25.5% stake in Astana Finance. (Interfax, April 30)

Return of Ex-Finance Minister

15. Natalia Korzhova, former Minister of Finance, has been appointed the Executive Secretary of the Ministry of Finance. The positive of executive secretary for all government agencies was introduced by President Nazarbayev in August 2007. Executive secretaries are equal in rank to first vice ministers. (Interfax-Kazakhstan, April 29)

First Drilling in Atash

16. Atash Co., owned by KazMunaiTeniz and Russia's Lukoil Overseas Shelf B.V., started its first drilling operations in the Atash section of the Caspian Sea using floating drilling facilities. The estimated reserves at Atash are 141.7 million tons of crude. (Delovoi Kazakhstan newspaper, May 1)

Court Rules in Favor of Karachaganak Petroleum Operating B.V.

17. The West Kazakhstan regional court has ruled unlawful the refusal of the regional environmental office to review environmental payments made by Karachaganak Petroleum Operating B.V. (KPO) in the 3rd and 4th quarters of 2007. Because the regional environmental office refused to review its submissions, KPO did not submit a tax report, and in turn the West Kazakhstan Tax Committee has blocked

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its bank accounts since December 2007. KPO expects that the tax authorities will unblock its accounts after verifying its environmental payments. (Press release of KPO, April 22)

Zhambyl Hydropower Plant To Be Privatized

18. Energy Minister Sauat Mynbayev has suggested that Kazakhstan sell a 50% state stake in the Zhambyl Hydropower Plant (Zhambyl GRES), which supplies electricity to South Kazakhstan. Zhambyl GRES operates only in wintertime, and it is the only power plant in the country that has no reserve capacity in case of an emergency. (Interfax-Kazakhstan, April 22)

70% of Equipment in Mittal Mines is in Disrepair

19. After an inspection of eight coal mines belonging to the ArcelorMittal Temirtau steel company, the prosecutor's office alleged that 70% of equipment used in the mines is in disrepair, equipment being installed is obsolete, and labor safety standards are not being met. The prosecutor's office gave ArcelorMittal one month to correct the violations discovered. (Kazakhstan TV channel, April 24)

Samruk to Buy A 50% Stake in Two Open-Pit Coal Mines

110. The Samruk state asset management holding company will pay United Company Rusal \$345 million for a 50% stake in the Bogatyr and Severniy open-pit coal mines. Access Industries Inc. is the operator of the mines. (Panorama newspaper, April 25)

Kazakhstan Seeks More Oil Transit via Georgia

111. Energy Minister Sauat Mynbayev and Samruk Chairman Kanat Bozumbayev held talks in Astana with Georgia's Minister of Economic Development, Ekaterina Sharashidze. Kazakhstan is interested in increasing to 10 million tons per year the volume of its crude oil

which is exported via Georgia's railroad and oil pipelines. (Astana TV channel, April 25)

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